

# **Exhibit 1**

## **Analysis of the Terms between Dr. Shi and the Company Associated with the Divestment of FL Mobile and Showself Following the Closing**

**(Prepared by Link Motion Inc)**

### **1. Background**

We divested our equity interests in FL Mobile Jiutian Technology Co., Ltd, or FL Mobile and Showself (Beijing) Technology Co., Ltd, or Showself (Beijing), which both represent a significant portion of our operations. The Divestments were completed on December 14, 2017, which is also the date of de-consolidation.

A large part of the Company's receivables as of December 31, 2017 comes from the unpaid considerations from the Divestments. The receivables in connection with the Divestments include the following parts (i) we disposed of 16.34% equity interests in FL Mobile to Dr. Vincent Wenyong Shi, our chairman and chief operating officer and there is a remaining balance of RMB 326.8 million defined as consideration receivable from disposal of FL Mobile as of December 31, 2017, (ii) we disposed a total of 20.66% of equity interests in FL Mobile to several affiliates of Beijing Jinxin and there is a remaining balance of RMB 75.3 million defined as receivable from disposal of FL Mobile [as of December 31, 2017], and (iii) the remaining 63% equity interests in FL Mobile and all our interests of 65% in Showself (Beijing) were sold to Tongfang Investment Series SPC, or Tongfang SPC, an affiliate private equity investment fund of Tsinghua Tongfang, Tongfang SPC paid RMB1.77 billion of the considerations with a senior note, due on December 13, 2018, which maturity date may be extended by 12 months at our option.

### **2. Complete History of the Transaction**

(i) the Group sold 22% of the Company's equity interests in FL Mobile to Dr. Vincent Wenyong Shi, the Company's chairman and chief operating officer, for a consideration of RMB880.0 million (US\$127.0million) via a termination and share purchase agreement in March 2016 in which both the Company and Dr. Shi had the right to revert the transaction entirely. Subsequently and according to the right to revert, 5.66% of the equity interests transferred was reverted in November 2016. After this portion was reverted, the revised amount that the Group had sold of the Company's equity interests in FL Mobile to Dr. Shi was 16.34% (the initial 22% minus the 5.66% portion reverted) for a total consideration of RMB653.6 million (US\$94.2 million). According to the terms of the agreement, the Company received 50% of the consideration or RMB 326.8 million (US\$47.1 million), which was recorded as consideration received from shareholder on the balance sheet as of December 31, 2016. In December 2017, the Company and Dr. Vincent Wenyong Shi mutually agreed to cancel the revert right, subsequent to which, the disposal of FL Mobile's equity interest to Dr. Vincent Wenyong Shi became closed and not revertible. The remaining 50% consideration amounted to RMB 326.8 million (US\$50.0 million) due from Dr. Vincent Wenyong Shi is recorded as consideration receivable on disposal of FL Mobile in the current period's consolidated balance sheet, and the consideration will be due three months after the success of capital operations of FL Mobile.

(ii) the Group sold 12% of equity interests in FL Mobile to Xinjiang Yinghe Equity Investment Management Limited Partnership ("Xinjiang Yinghe"), an affiliate of the management of FL Mobile, however, such transaction was terminated and reverted in November 2016,

(iii) the Group sold a total of 20.66% of equity interests in FL Mobile to several affiliates of Beijing Jinxin in May 2016 and August 2016 for a consideration of RMB826.4 million (US\$119.1 million). The Group has received a total of RMB 751.1 million (US\$ 108.3 million) from affiliates of Beijing Jinxin and as of December 31, 2017, the remaining portion of consideration receivable from Beijing Jinxin of US\$ 11,524 is recorded as consideration receivable on disposal of FL Mobile in the current period's

consolidated balance sheet. The Company has transferred the relative equity interests in FL Mobile to the affiliates of Beijing Jinxin pursuant to their contracts with them

In March 2017, the Group entered into definitive agreements (the “Agreements”) with Tongfang Investment Fund Series SPC (the “Investor” or “Tongfang SPC”), an affiliate private equity investment fund of Tsinghua Tongfang. Pursuant to the terms of the Agreements, the Investor will acquire (i) 63% equity interests in FL Mobile, being all of the remaining equity interests beneficially owned by the Company, for a cash consideration of RMB2,520 million and (ii) 65% equity interests in Showself (Beijing) Technology Co., Ltd (“Showself (Beijing)”), a live social video business, being all of the equity interests beneficially owned by the Company, for a cash consideration of RMB 800.0 million. The Investor paid RMB150.0 million in cash as non-refundable earnest money which will be counted towards the payment of the purchase price at the time the Agreements were signed. The Company transferred the title of 63% equity interests in FL Mobile and 65% equity interest in Showself (Beijing) to Dr. Vincent Wenyong Shi to facilitate the transaction, and at the same time, Dr. Vincent Wenyong Shi pledged all these equity interest of FL Mobile and Showself (Beijing) to the Company.

In addition to purchasing FL Mobile and Showself (Beijing), Tongfang SPC also has the option to purchase US\$100.0 million worth of Class A Common shares of the Company at a price of US\$1.05 per share, or US\$5.25 per ADS within 3 months after the date of the full payment pursuant to the Agreements to purchase FL Mobile and Showself(Beijing). As re result, FL Mobile and Showself had been continuously consolidated by the Group until December 14, 2017.

In November 2017, the Company received an additional RMB 1,200.0 million (US\$183.6 million) cash consideration from Tongfang SPC. In December, 2017, the Company received another RMB 200.0 million (US\$ 30 million) cash consideration from Tongfang SPC.

In November 2017, Dr. Vincent Wenyong Shi became a director of Tongfang SPC. On December 14, 2017, the Company received RMB 1,770.0 million (US\$270.9 million) in a senior note (see Note 16) from Tongfang SPC, which brought the total consideration received by the Company pursuant to the Agreements of the divestments to RMB 3,320.0 million, which is 100% of the total consideration, and the Company delivered 63% equity interest of FL Mobile and 63% equity interest of Showself (Beijing) to Tongfang SPC without any pledge. On the same date, both Dr. Vincent Shi and the Company agreed to cancel the previous right to revert Dr. Shi’s share purchase agreement previously mentioned above. Thus, on December 14, 2017, the transaction related to the sale of 16.34% equity interest of FL Mobile to Dr. Vincent Wenyong Shi, 63% equity interest of FL Mobile and 65% equity interest of Showself (Beijing) to Tongfang SPC became fully closed and the Company lost the controlling financial interest in these two entities. Accordingly, the financial results of FL Mobile and Showself (Beijing) were deconsolidated as of December 14, 2017.

### 3. Accounting Treatment

According to ACS 810-10-45, if a parent deconsolidates a subsidiary or derecognizes a group of assets, a parent shall account for the deconsolidation of a subsidiary or de-recognition of a group of assets by recognizing a gain or loss in net income attributable to the parent. The total consideration the Company should receive for the divestment of 79.34% equity interest of FL Mobile and 65% equity interest of Showself (Beijing) is \$608,123 and the excess of total consideration over the carrying value of the disposed entities is \$341,954. The Company used the installment method to recognize \$161,511 as a gain of the disposal of FL Mobile and Showself (Beijing), which represents the percentage of the cash received of the overall consideration. The remaining portion of the excess, which represents the remaining portion of the consideration to be received in the future according to the consideration receivable terms and conditions is recorded in the amount of \$180,443 as deferred gain from the disposal of discontinued operations on the current period’s balance sheet (see Note 16). The Company used the installment method to recognize the gain of disposal of FL Mobile and Showself (Beijing) following the accounting guidelines in ACS 605-10-25-4 which states in summary that there may be exceptional cases where receivables are collectible over an extended period of time.

Because the divestment of FL Mobile and Showself (Beijing) represents a strategic shift of the Company and has a major effect on the Group's results of operations. Revenues, costs and expenses related to FL Mobile and Showself (Beijing) have been reclassified in the accompanying consolidated financial statements as discontinued operations for all the periods presented up to the deconsolidation date of December 14, 2017. Assets and liabilities of FL Mobile and Showself (Beijing) of December 31, 2016 were reclassified separately from other assets and liabilities of the Group on the consolidated balance sheet as held for sale.

**4. Prior to the Closing of the Divestment on December 14, 2017, the transaction with Dr. Shi is not considered an Insider or Personal Loan in SOX 402**

Section 402 of the Sarbanes-Oxley Act of 2002 was enacted to prohibit publicly traded companies from providing personal loans to directors and executive officers. Among the reasons identified were concerns over the use of company funds to provide personal financing to insiders.

According to a white paper prepared by over 20 law firms (including Skadden) in connection with private practitioners' interpretation of the prohibition of certain insider loans under SOX 402, the personal loans must meet two requirements:

- 1) The transaction must take the form of a loan, not merely be an extension of credit.
- 2) The loan must be a "personal loan." We believe that a loan is not a "personal loan" if the primary purpose of the loan, from the perspective of the issuer, is to advance the business of the issuer (other than merely through benefiting employees and directors of the issuer).

Under this situation, Dr. Shi entered into share purchase agreement, it is not in form of a loan, and the primary purpose is to facilitate the transaction of the FL Mobile Divestment. And the Company maintains the right to ask Dr. Shi to sign the relevant contractual arrangements at any time before Dr. Shi pays the cash consideration.

**5. After the Closing of the Divestment on December 14, 2017, the Agreement and Terms of the Transaction with regards to Dr. Shi's remaining 50% unpaid portion is not considered Insider or Personal Loan in SOX 402**

The Transaction closed on December 14, 2017, and the Company considers the terms of Dr. Shi's Agreement, and specifically that his remaining 50% of the unpaid purchase price per the terms of the Agreement is still not considered a loan based on the same interpretation from the highlighted section of the white paper above for the following reasons related to the interpretation that "a loan is not a 'personal loan' if the primary purpose of the loan, from the perspective of the issuer, is to advance the business of the issuer...":

- 1) As part of the closing of the Transaction on December 14, 2017, the Company has a significant note receivable from Tongfang (the Purchaser) of RMB1.77 billion. The successful collection of this note receivable is obviously to the benefit of the Company and advancing its business. Dr. Shi's role in the Transaction, and his continued role following the closing of the Transaction, substantially increases the likelihood of the Company receiving the cash from the receivable because of his continued involvement in operations, leadership, and industry expertise which will have a direct impact on the Divested assets ability to perform and reach key milestones and financial performance. The divested assets performance is important to the ultimate successful conditions that will trigger Vincent's remaining 50% payment and will increase the ability of Tongfang to also pay their note receivable.
- 2) Dr. Shi's role as Control Person in the Transaction, carries significant liabilities and risk, which without Vincent's participation, would have fallen to the Company if the Transaction were to occur without Dr. Shi's participation. Dr. Shi's participation and agreement terms following the closing of the transaction on December 14, 2017 benefit the Company as these liabilities and risks, if the Assets do not perform in the future, would otherwise have fallen to the Company after the closing date.
- 3) Just as before the closing of the Transaction, the primary purpose of the terms and details of the Agreement between the Company and Dr. Shi is to help facilitate the successful Transaction, which after the

closing date the stated facilitation also now includes that all remaining receivables of the Transaction are fully paid. His continued role benefits the Company.

Under these circumstances, now updated for 2017 after the closing of the Transaction on December 14, Dr. Shi's term to pay the remaining 50% 3 month's after the successful completion of certain conditions does not meet the two requirements to be considered a personal loan because the transaction terms benefit and advance the business of the Issuer as described above, including to help the Company receive the remaining cash from the outstanding receivables.

Based on the aforementioned understanding, we do not believe Dr Shi's remaining 50% of the unpaid purchase price as Link Motion's receivables will trigger any SOX 402 issue.